

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 PA-03 USIA-15 PRS-01 DRC-01

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R 281915Z SEP 73

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TO SECSTATE WASHDC 3756

INFO USDOC WASHDC

UNCLAS BUENOS AIRES 7157

E.O. 11652: N/A

TAGS: ECON, AR.

SUBJECT: ARGENTINE DRAFT FOREIGN INVESTMENT LAW, STATUS
REPORT.

REF: A) BA-6297, 8/24/73; B) ELSBERND-STEDMAN TRANSMITTAL,
8/14/73; C) BA-5756, 8/6/73; AND D) BA-4568, 8/27/73;
E) BA-6998.

1. AS REPORTED REF C), CHAMBER OF DEPUTIES PASSED DRAFT FOREIGN
INVESTMENT LAW FOR FIRST TIME AUGUST 2 AND TRANSMITTED
SAME TO SENATE. SENATE DID NOT VOTE PASSAGE OF DRAFT
UNTIL AUGUST 31, WHEN MEASURE WAS RETURNED TO DEPUTIES
WITH SOME CHANGES, MOSTLY GRAMMATICAL OR TECHNICAL.
DEPUTIES CONSIDERED THIS VERSION ON SEPTEMBER FIRST, ACCEP-
TED SOME SENATE CHANGES AND REJECTED OTHERS. LATEST VERSION
OF DRAFT LAW HAS BEEN BEFORE THE SENATE SINCE THEN WITH NO
ACTION TAKEN. LA NACION REPORTED TODAY THAT SENATE MAY
HAVE WORKING SESSION TOMORROW, SEPT 28, BUT DID NOT CITE
FOREIGN INVESTMENT AS ONE OF MEASURES TO BE CONSIDERED.
PROSPECTS FOR FINAL PASSAGE OF FOREIGN INVESTMENT LAW
UNCLEAR AT THIS TIME, AS ARE CHANCES FOR FURTHER
CHANGES OF CONTENT. LATEST AVAILABLE OFFICIAL DRAFT AND
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UNOFFICIAL TRANSLATION BEING POUCHED SEPARATELY. MAIN

JUDGEMENTS CONTAINED REF C) UNCHANGED, BASED ON PRESENT TEXT.

2. ONLY SUBSTANTIVE CHANGE PROPOSED BY SENATE AND ACCEPTED BY DEPUTIES REFER TO FOREIGN CREDITS OBTAINED BY FOREIGN FIRMS OPERATING IN ARGENTINA. DRAFT NOW PROVIDES THAT SUCH CREDITS MAY RECEIVE BACKING FROM LOCAL BANKING SYSTEM QUOTE IN THE CASE OF CREDITS FROM INTERNATIONAL FINANCIAL ORGANISMS OF WHICH THE ARGENTINE REPUBLIC IS AN INTEGRAL MEMBER AND WHEN THE OPERATION FALLS WITHIN THE SECTORIAL AND REGIONAL PRIORITIES WHICH THE EXECUTIVE POWER MAY DETERMINE UNQUOTE. PREVIOUS VERSION HAD EXCLUDED ANY PARTICIPATION BY ARGENTINE BANKS IN GUARANTEEING ANY FOREIGN CREDITS.

3. PRESENT VERSION ALSO INCLUDES PROVISION RELATED TO AND GOING BEYOND RECENT ARGENTINE SUPREME COURT DECISION REGARDING ROYALTY PAYMENTS BY PARKE-DAVIS. (REF.E); PRESENT ARTICLE 26, REPLACING ARTICLE 25 IN DRAFT TRANSMITTED WITH REF B), NOW READS AS FOLLOWS: QUOTE FOREIGN CREDIT CONTRACTS ENTERED INTO BETWEEN HOME OFFICES AND AFFILIATES OR SUBSIDIARIES OF THE SAME FOREIGN ENTERPRISE, OR BETWEEN THESE AND A THIRD PARTY, ECONOMICALLY CONNECTED TO THE SAME, AS WELL AS OTHER LOANS ORIGINATING IN TECHNOLOGICAL CONTRIBUTIONS INCLUDING TECHNICAL ADVISORY SERVICES (ASESORAMIENTO), SHALL BE RULED BY THE PRINCIPLES OF CONTRIBUTIONS (APORTE) AND PROFITS (UTILIDADES) UNQUOTE. SENATE ATTEMPTED TO EXPAND THIS ARTICLE TO SAME EFFECT, BUT DEPUTIES REIMPOSED THE VERSION GIVEN HERE.

4. FURTHER DEVELOPMENTS WILL BE REPORTED AS THEY OCCUR. THE MOST LIKELY OUTCOME STILL APPEARS TO BE THAT THE CONGRESS WILL ISSUE A DOCUMENT ALTERED IN FAVOR OF A MORE PRAGMATIC POLICY THAN THAT EMBODIED IN THE DRAFT FIRS SUBMITTED BY CAMPORA IN JUNE. IT APPEARS UNLIKELY THAT THE SENATE, ACTING ON ITS OWN ACCOUNT, WILL INTRODUCE FURTHER SUBSTANTIVE CHANGES, SINCE THE LOWER CHAMBER VOTED ITS VERSION OUT UNANIMOUSLY AND CANNOT (AS THE CHAMBER OF ORIGIN) BE EASILY OVERRULED AT THIS POINT.
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